

CITY OF BURLINGTON

# Water Resources Division

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City Council Meeting – Rate Proposal

March 9<sup>th</sup>, 2020



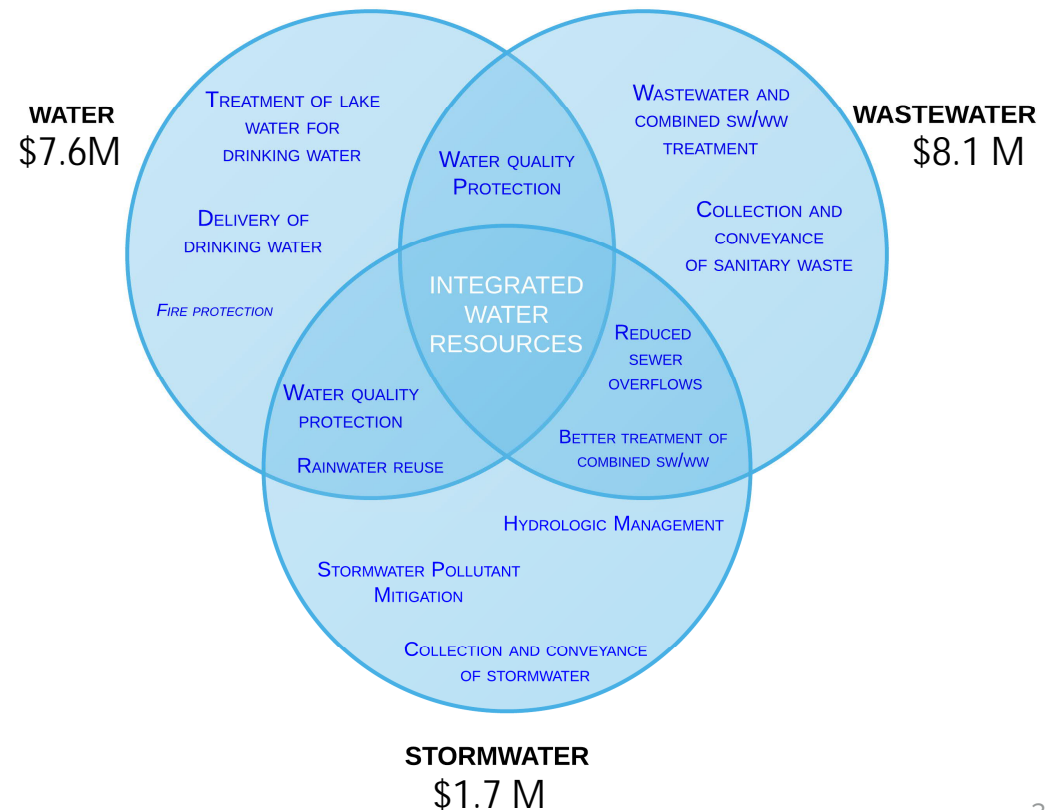
# Agenda

- Overview Water Resources utilities
- Reason for the rate study
- Financial needs of the Water Resources Division
- Rate design recommendation
- Affordability program recommendation
- Customer impacts
- Next steps



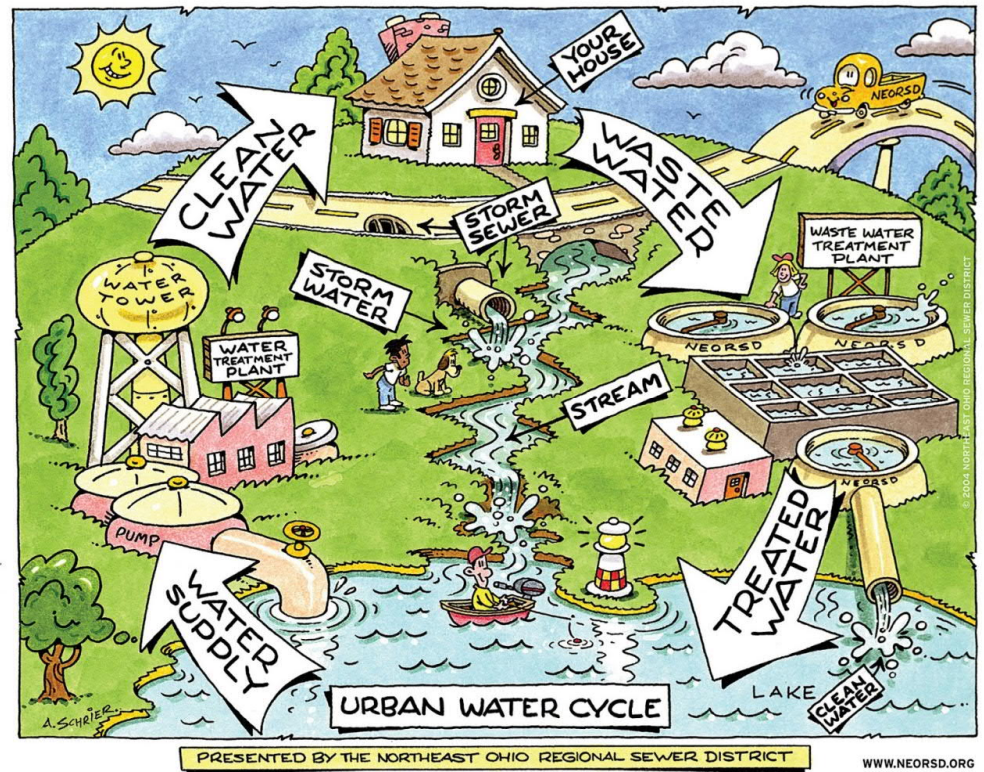
# Water Resources Overview

- 3 separate enterprise funds
  - › Each fund is independently responsible for the recovery of annual revenue requirements
  - › No reliance on property taxes
- Serve approximately 10,000 connections and 42,000 residents
- 43 full-time staff

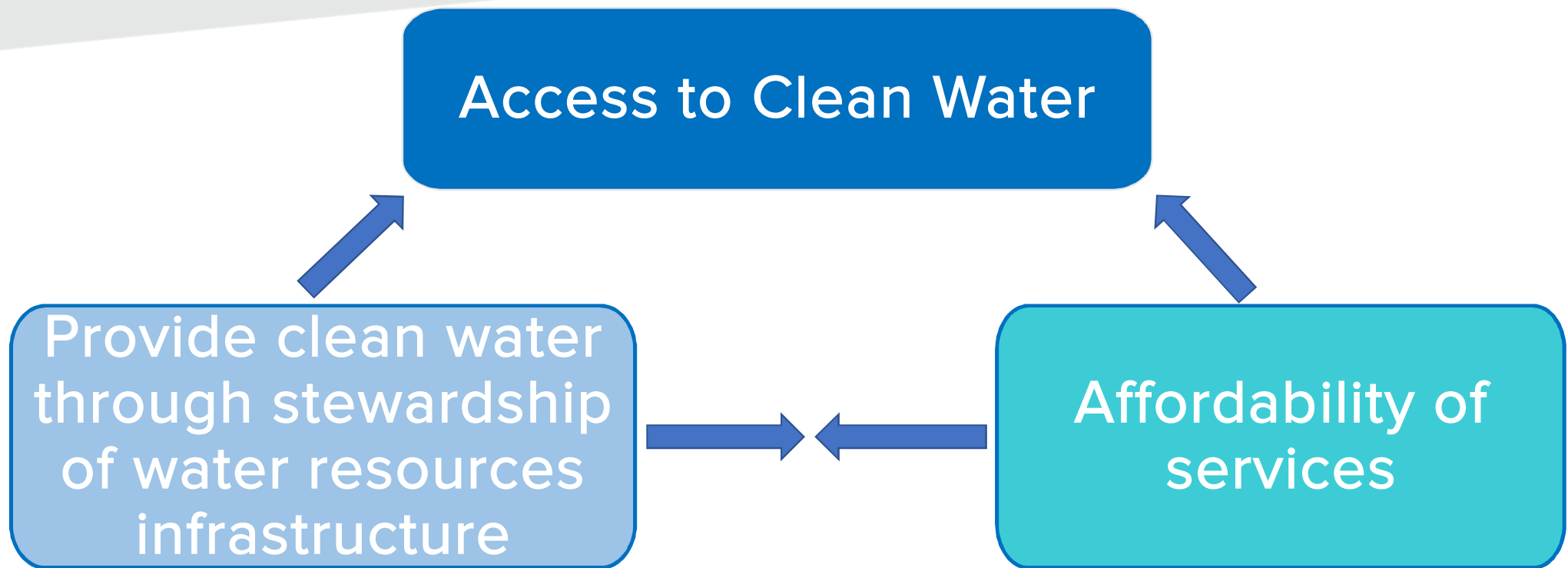


# One Water...

- Integrated functions for:
  - › Administration and oversight
  - › Billing
  - › Planning
  - › Engineering
  - › Project Review
  - › Customer Care
- Results in:
  - › Overall cost savings by sharing resources across funds
  - › Holistic thinking



## Core Values



# Impetus for Rate Study – City Council

- Recognizing the likelihood of future rate increases, Water Resources was directed by Burlington City Council (April 29, 2019) to evaluate the following options by March 15, 2020 for consideration in advance of FY 21 rate year:
  - › Alternative rate structures, including progressively priced tiers to protect access to “essential” water;
  - › Alternative revenue sources; and
  - › Affordability frameworks, including discounts for certain qualifying rate payers, water conservation programs and grants and loans for upgrades to service lines
- City Council also directed Water Resources to conduct an initial stakeholder process to educate and solicit input on Water Resources rates and to conduct a follow-up stakeholder process reporting on the proposed solutions

# Impetus for Rate Study – Water Resources Division

- Ensure affordability of rates
- Apply outside perspective and experience on long term financial health of utility, including an analysis of potential cost saving and efficiency initiatives
- Develop rate structures that improve financial health and sustainability, and increase revenue predictability
- Ensure utility funds are recouping the costs of all services provided in an equitable manner and in accordance with industry standards:
  - › customers receiving additional service may need to pay additional cost e.g.
    - Private fire protection (building fire suppression supply, private hydrants)
    - Staff and administration costs for new project review

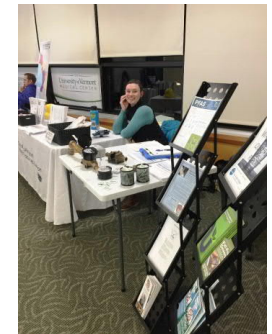


# What's Been Done so Far

- Initial open house to gather stakeholder input
- NPA tour
- Studied rate options
- Examined current snapshot of Water Resources bill affordability
- Developed rate, fees and assistance program recommendations



*Open house on 10/30/19*

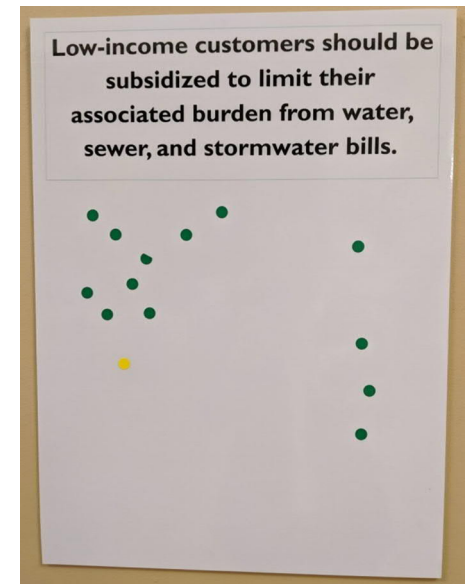


*Ward 1 & 8 NPA meeting on 11/13/19*



# Key Feedback from Fall 2019 Outreach Meetings

- Strong **positive** response to:
  - › concepts of protecting access to “essential life water”
  - › subsidizing low-income customers and a tiered residential rate
- **Tentative** support (some attendees needed more details) for implementing:
  - › a capacity fee for new development
  - › fire protection fees (private and public)
- **Mixed** reaction to charging more for irrigation water:
  - › we adjusted our approach based on learning that some stakeholders concerns were related to irrigation for community based food growing systems
- Other feedback/interactions:
  - › need for better customer billing portal, budget plans
  - › request for ability to bill utility costs for separate units in multi-unit properties
  - › some interest (but not universal) in smart metering (real time usage data)
  - › great opportunity for education/interaction with customers



Example of feedback from Open House attendees who participated in dot exercise

# Customer Affordability Analysis



## Burlington Utility Affordability Dashboard



**MEDIAN  
HOUSEHOLD  
INCOME**  
2020  
**\$48,415**

**MEDIAN  
HOUSEHOLD  
BURDEN**  
2020  
**1.3%**

**LOWEST  
QUINTILE  
INCOME**  
2020  
**\$18,736**

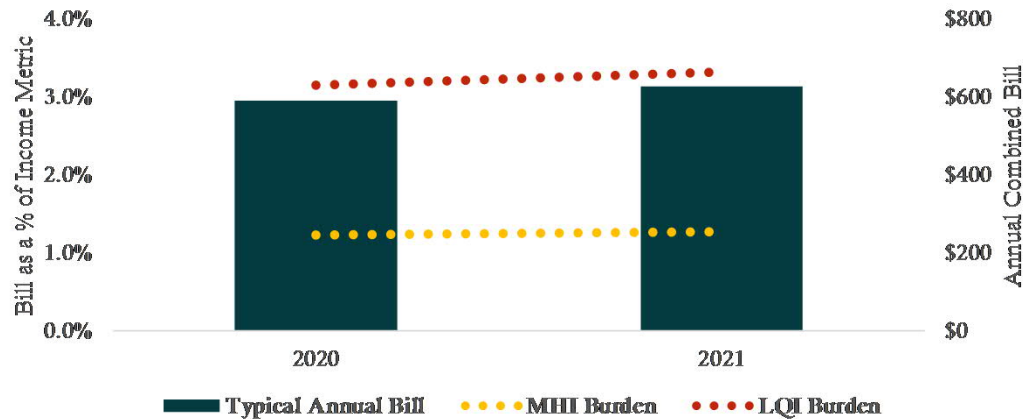
**LOWEST  
QUINTILE  
BURDEN**  
2020  
**3.3%**

**% LIVING IN  
POVERTY**  
2020  
**15.6%**

**ANNUAL  
UTILITY BILL**  
2020  
**\$628**

**BILL IN  
HOURS OF  
MIN. WAGE**  
2020  
**55**

### Annual Residential Utility Bill - 4 ccf



### Choose Area ↓ Burden by Area

Service Area				
Water Consumption (Ccf/Month)	% of Single Family Bills Below	Mean of LQI \$10,960	Annual Income Lowest Quintile \$18,736	Median \$50,432
0	0%	0.7%	0.4%	0.2%
1	8%	1.9%	1.1%	0.4%
2	22%	3.1%	1.8%	0.7%
3	40%	4.2%	2.5%	0.9%
4	57%	5.4%	3.1%	1.2%
5	71%	6.5%	3.8%	1.4%
6	80%	7.7%	4.5%	1.7%
7	86%	8.9%	5.2%	1.9%
8	90%	10.0%	5.9%	2.2%
9	92%	11.2%	6.6%	2.4%
10	94%	12.4%	7.2%	2.7%

# Current Rates (FY 2020)

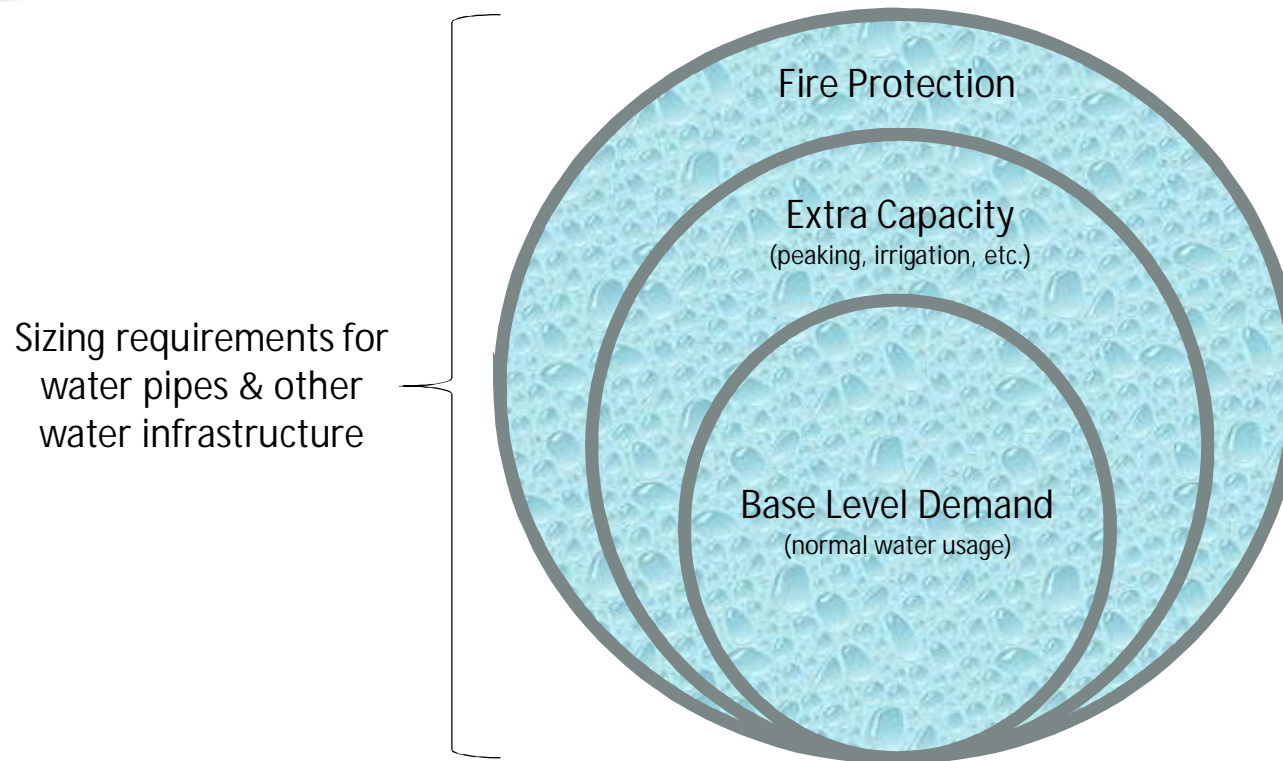
	Water	Wastewater	Minimum Allowance (cubic feet/month)
<u>Minimum Charge (by meter size)</u>			
5/8"	\$ 0	\$ 0	0
3/4"	\$ 0	\$ 0	0
1"	\$ 22.73	\$ 31.74	512
1.5"	\$ 45.51	\$ 63.55	1,025
2"	\$ 72.68	\$ 101.49	1,637
3"	\$ 145.32	\$ 202.93	3,273
4"	\$ 248.28	\$ 346.70	5,592
6"	\$ 454.12	\$ 634.14	10,228
8"	\$ 1,044.51	\$ 1,458.55	23,525
<u>Volumetric Rate</u>			
All Customers	\$ 4.44	\$ 6.20	
Water Only	\$ 4.53	N/A	

Currently, we charge customers the same rate for volumetric Water usage even though it costs more to build and maintain a system for certain users.

	Stormwater
<u>Monthly Fee</u>	
FF Single	\$6.60
FF Duplex	\$6.56
FF Triplex	\$7.56
Non-Res (per 1,000 sf)	\$2.47

# Costs of Providing Water Service

*Why serving certain customer classes costs more...*



# Proposed Rate & Policy Changes

Rate Proposals	What is it?	Why do it?
Fixed Charges by Meter Size	A water and wastewater fixed charge that increases based on the size of the customer's water meter	<ul style="list-style-type: none"> <li>• Is industry best practice – reflects cost of service</li> <li>• Improves revenue stability and predictability</li> <li>• Encouraged by bond rating agencies</li> </ul>
Lifeline Rate Tier	"Essential" water consumption (below median usage) is charged at a lower rate, only applicable to single-family residential account holders	<ul style="list-style-type: none"> <li>• Provides affordability assistance for customers that use "typical" amount of water (400 cf/month)</li> <li>• Incentivizes efficient water use</li> </ul>
Class-Based Rates	Different rates for different classes of customers	<ul style="list-style-type: none"> <li>• Supports all residential customers (single- &amp; multi-family)</li> <li>• Can justify the strains each customer type puts on the utility's infrastructure</li> </ul>
Irrigation Rate	A separate, higher rate for those who solely use water for irrigation (with the exception of community gardening initiatives)	<ul style="list-style-type: none"> <li>• Irrigation often contributes to peak water use, which necessitates system expansion and associated costs</li> <li>• Send price signal to conserve water when use is not for basic needs</li> </ul>
Private Fire Protection Charges	A separate, fixed, monthly charge that escalates with connection size for those who have private fire service or hydrants	<ul style="list-style-type: none"> <li>• Water Resources has invested in system capacity to serve private properties during a fire event, thus the customers who benefit from this service should pay for that capacity</li> </ul>
Water Resources Assistance Program (WRAP)	An affordability program that waives the proposed fixed monthly water and wastewater charge for residential customers at or below 185% of the Federal Poverty Level.	<ul style="list-style-type: none"> <li>• Provides relief to low-income single-family residential customers</li> <li>• Allows greater ability to control their bill (no fixed charge)</li> </ul>

# Financial Needs of Water Resources Division

Sufficient Revenue is Required for:

1. Operation and Maintenance
2. Debt Service and Bond Covenant Requirements (debt coverage ratios, restricted capital reserves)

Revenue is Prudent to support:

3. Annual PayGo Capital
4. Designated Capital Reserves

Revenue is Desired to support:

5. Additional Customer Assistance Programs (loans/grants for service lines, conservation practices)

Fund	Modeled % Revenue Needs Increase
Water	6%
Wastewater	7%
Stormwater	5%

- The FY21 budget is currently in development!
- The above represents the upper bounds of revenue needs based on current information
- Typical residential customer would see an approximate 6.4% increase, assuming no structural changes

# Proposed Water & Wastewater FY 2021 Rates

	Water		Wastewater		Private Fire
	Status Quo	Proposed	Status Quo	Proposed	Proposed
<u>Fixed Charge per Month (by meter size or fire service size)</u>					
5/8"	\$ -	\$ 3.56	\$ -	\$ 5.75	\$ 33.73
3/4"	-	5.51	-	8.90	33.73
1"	24.09	12.25	33.89	19.78	33.73
1.5"	48.24	25.35	67.83	40.94	33.73
2"	77.04	45.45	108.32	73.39	33.73
3"	154.02	92.48	216.57	149.33	33.73
4"	263.15	132.33	370.01	213.67	33.73
6"	481.30	146.06	676.75	235.84	97.97
8"	1,107.01	712.16	1,556.56	1,149.94	208.77
Private Fire Hydrant	N/A	N/A	N/A	N/A	97.97
<u>Volumetric Rate (per 100 cf)</u>					
Single-family Residential					
Tier 1	\$ 4.71	\$ 1.67	\$ 6.63	\$ 6.43	N/A
Tier 2	4.71	4.16	6.63	6.43	N/A
Duplex	4.71	2.50	6.63	6.43	N/A
Triplex	4.71	2.50	6.63	6.43	N/A
Multi-Family Residential	4.71	2.50	6.63	6.43	N/A
Mixed Residential & Commercial	4.71	2.50	6.63	6.43	N/A
Irrigation/Heating/Cooling	4.80	6.66	6.63	6.43	N/A
Commercial	4.71	3.75	6.63	6.43	N/A
City	4.71	3.75	6.63	6.43	N/A



# Water Resources Assistance Program (WRAP)

- Would be the Division's first affordability program in history
- Goal: provide rate relief to low-income customers
- Program details
  - › Waives the monthly water and wastewater fixed charges for eligible residential customers (generally single family properties, continuing to study how to expand program)
  - › Eligibility criteria – households living at or below 185% of the Federal Poverty Level
    - Qualify with proof of participation in a variety of existing State/Federal benefit programs
  - › Qualification good for one year; customers must reapply
- Examples of qualifying programs for eligibility:
  - 3SquaresVT
  - Crisis Fuel
  - Lifeline
  - VT Gas Low Income Discount
  - CEDO Home Repair

## Customer Impacts of New Rate Structure

Who will see lower bills?	Opportunities to further lower Bills
Low income customers who are eligible and sign up for WRAP discount will see reduced bills because of the fixed meter charge waiver.	Customers can further shrink their bill by implementing water conservation practices to reduce consumption above the Tier 1 level (i.e., 400 CF).
Single family residential customers with typical consumption will see little or no increase in bills because of the lifeline rate.	All single family residential customers can implement water conservation practices to reduce consumption above the Tier 1 level (i.e., 400 CF).
Who will see increases on their bills?	Opportunities to mitigate bill increases
All properties with private fire services or hydrants will see increased bills because of the fixed charge per protective infrastructure.	Customers can remit updated information about their fire protection infrastructure for validation against existing records.
Irrigation customers will see increased bills because of the fixed meter charge and rate.	Customers can decide whether to retain their irrigation system or explore removal.
Customers with large meters but low usage will see increased bills because the minimum allowance has been eliminated.	Customers can request an evaluation of whether their existing meter(s) can be reduced in size.
Customers with vacant homes or very low usage will see increased bills because of the fixed meter charge.	Customers can decide whether to have their meter removed and water shut off during an extended period of vacancy.

# Customer Impacts of New Rate Structure



**Caveat!** These are estimated customer bills based on FY19 customer class trends.

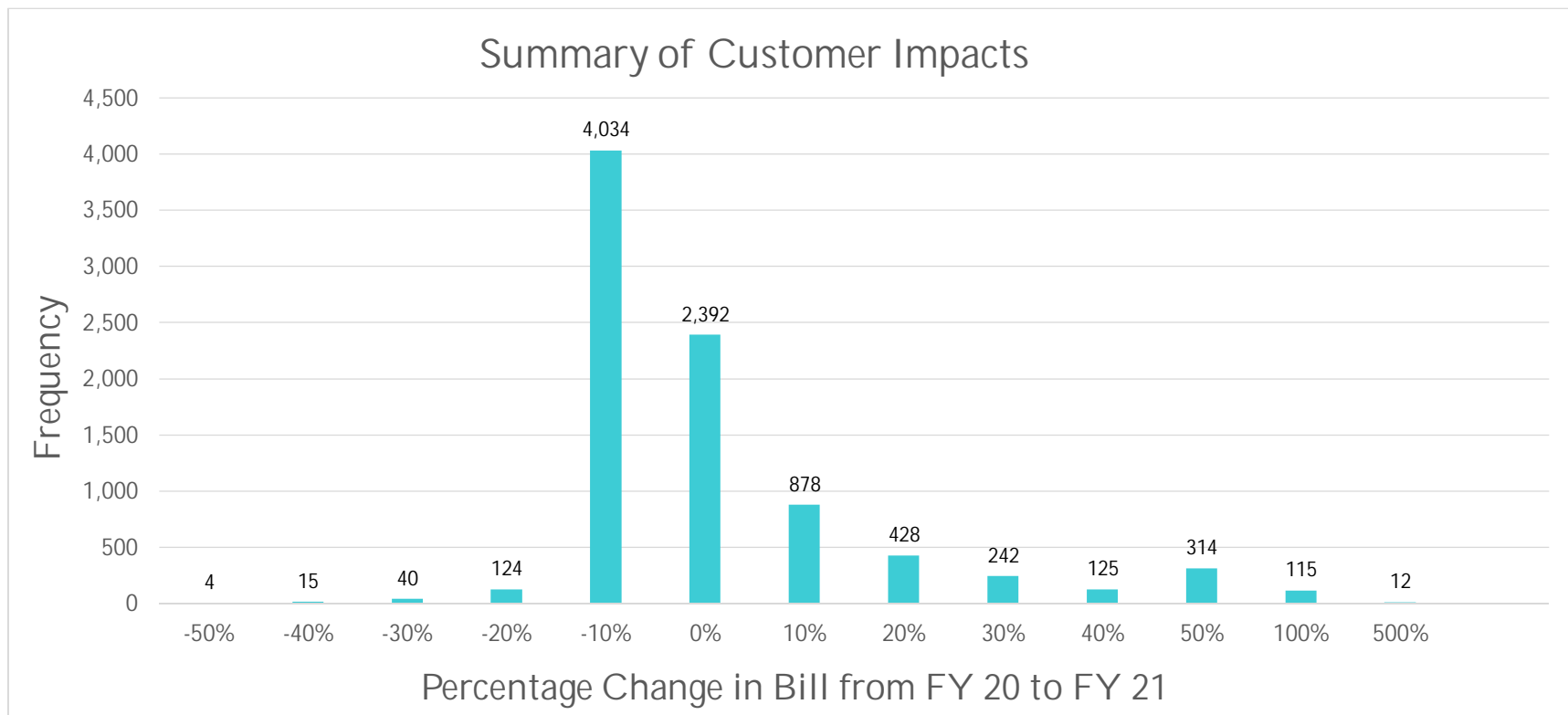
Actual bills will vary based on water consumption. Meter size and private fire services and hydrants will also affect bills. See “Customer Impacts Chart and Examples” in supplementary handouts.

Customer Description	Meter Size	Usage per Month (cf)	Fire Connection	Stormwater Basis	FY 20 Monthly Bill	Proposed FY 21 Monthly Bill	Difference (\$)	Difference (%)	Comments
Low-Volume WRAP Participant	5/8"	200	No	Single-Family	\$ 28.62	\$ 23.37	\$ (5.25)	-18.4%	Significant decrease in bill from WRAP Program!
Typical WRAP Participant	5/8"	400	No	Single-Family	\$ 50.65	\$ 40.09	\$ (10.56)	-20.8%	Significant decrease in bill from WRAP Program!
Low-Volume Single-Family	5/8"	200	No	Single-Family	\$ 28.62	\$ 33.32	\$ 4.70	16.4%	Customer has a fixed charge for the first time, but bill only increases \$5/month
Typical Single-Family	5/8"	400	No	Single-Family	\$ 50.65	\$ 50.07	\$ (0.58)	-1.1%	Benefits from lifeline rate (cheaper water)
Typical Multi-Family	5/8"	600	No	Duplex	\$ 72.63	\$ 71.95	\$ (0.69)	-0.9%	Benefits from lower multi-family volumetric rate
Typical Multi-Unit Residential	5/8"	900	4"	4,000 sq. ft. of IA	\$ 108.99	\$ 136.87	\$ 27.88	25.6%	Potentially large increase due to fixed charge, fire protection, and low consumption
Small Commercial	5/8"	1,000	No	4,000 sq. ft. of IA	\$ 120.00	\$ 125.31	\$ 5.30	4.4%	Small increase
Small Commercial	5/8"	1,000	4"	4,000 sq. ft. of IA	\$ 120.00	\$ 159.03	\$ 39.03	32.5%	Large increase due to fire protection availability
Large Commercial	1.5"	12,400	6"	13,000 sq. ft. of IA	\$ 1,397.48	\$ 1,505.98	\$ 108.50	7.8%	Modest increase due to fire protection availability
Typical Irrigation	5/8"	1,000	No	1,000	\$ 45.95	\$ 72.62	\$ 26.66	58.0%	Significant increase to incentivize conservation

# Distribution of Draft Customer Impacts



Caveat! These are estimated customer bills based on FY19 customer class trends. Actual bills will vary based on water consumption. Meter size and private fire services and hydrants will also affect bills. See “Customer Impacts Chart and Examples” in supplementary handouts.



# Next Steps

Website:

<https://www.burlingtonvt.gov/DPW/Water/AffordabilityProject>

- Receive City Council feedback
- Outreach with customers and key stakeholders
  - › Update website with proposals and examples
  - › Create electronic and paper form for rate payer to request estimate of proposed new monthly charges
  - › Attend NPAs
  - › Schedule Individual meetings with large users/key stakeholders
  - › 2-3 general informational public meetings, send invite and information letters
    - accounts with fire services/private hydrants
    - commercial, mixed use, irrigation and multi-family accounts
    - promote via social media and Front Porch Forum
- Incorporate feedback and continue QA/QC
- Approve rate structure, fire protection charges & WRAP (late April)
- Approve budgets and rates for FY21 (June)